

2007

CC425 Achieving Success with a Business Plan : Instructions and Workbook to Prepare a Farm Business Plan

Ram Valluru

Allen Prosch

Follow this and additional works at: <http://digitalcommons.unl.edu/extensionhist>

Valluru, Ram and Prosch, Allen, "CC425 Achieving Success with a Business Plan : Instructions and Workbook to Prepare a Farm Business Plan" (2007). *Historical Materials from University of Nebraska-Lincoln Extension*. 3473.
<http://digitalcommons.unl.edu/extensionhist/3473>

This Article is brought to you for free and open access by the Extension at DigitalCommons@University of Nebraska - Lincoln. It has been accepted for inclusion in Historical Materials from University of Nebraska-Lincoln Extension by an authorized administrator of DigitalCommons@University of Nebraska - Lincoln.

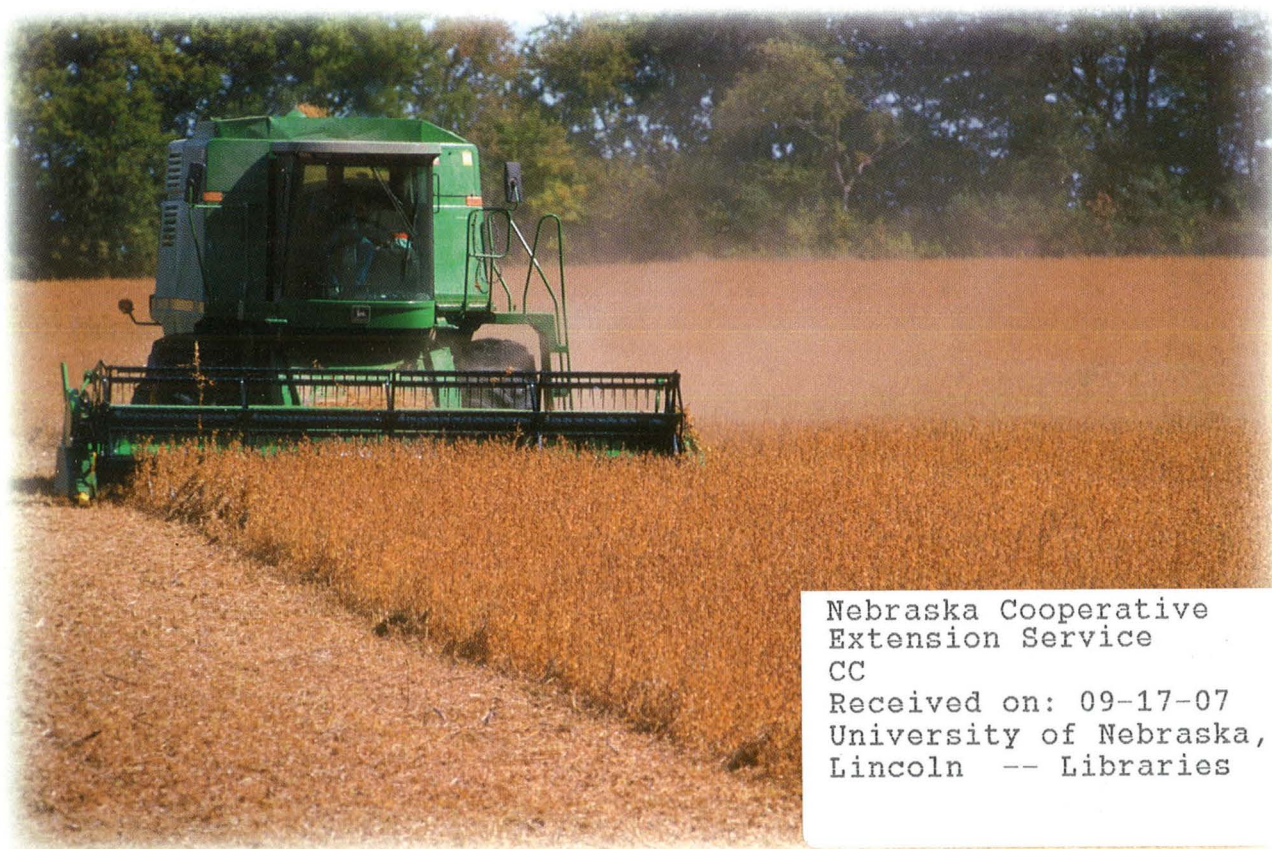
CYT
S
544.3
N2
C33x
no. 425

CC425

Achieving Success With a Business Plan

Instructions and Workbook to Prepare a Farm Business Plan

Ram Valluru, Allen Prosch and Douglas Jose



Nebraska Cooperative
Extension Service
CC
Received on: 09-17-07
University of Nebraska,
Lincoln -- Libraries

University of Nebraska Cooperative Extension

Questions can be directed to Douglas Jose at (402) 472-1749 or hjose1@unl.edu

UNIVERSITY OF
Nebraska
Lincoln

w

UNIVERSITY OF NEBRASKA-LINCOLN



R02360 31552

nsion work, Acts of May 8 and June 30, 1914, in cooperation
C. Dickey, Director of Cooperative Extension, University of
Agriculture and Natural Resources.

discriminate on the basis of gender, age, disability, race, color, religion, marital
national or ethnic origin or sexual orientation.

N
IANR

TABLE OF CONTENTS

	Page
Business Organization	1
History and Overview of Operation	2
Mission Statement	4
Goals	6
Priorities, Purpose and Strategic Outlook	10
Situation Statements	12
Legal and Contractual Situation	14
Production Situation	16
Financial Situation	20
Marketing Situation	34
Personnel Situation	38
Risk Management Plan	46

BUSINESS ORGANIZATION

Business Name and Address:

Telephone: Business _____ Home _____

Type of Ownership: _____

Who is Involved in the Operation?

Name: _____ Age: _____ Position: _____

Name: _____ Age: _____ Position: _____

Name: _____ Age: _____ Position: _____

Name: _____ Age: _____ Position: _____

Name: _____ Age: _____ Position: _____

Business Advisors:

Name: _____

Name: _____

Address: _____

Address: _____

City, ST, Zip: _____

City, ST, Zip: _____

Phone: _____

Phone: _____

Name: _____

Name: _____

Address: _____

Address: _____

City, ST, Zip: _____

City, ST, Zip: _____

Phone: _____

Phone: _____

HISTORY AND OVERVIEW OF OPERATION

This is a half to one page overview of the history of the business to date. Your aim is to convince the reader that your operation is under control despite variability in profits. Try to answer some of the following questions:

- When and how was the operation started?
- Location of the operation.
- What other details are important?
- What is the source of land, equipment, and other resources? Were they inherited or are they rented?
- What major structural changes have occurred in the business?
- How was the farm financed?
- What are trends of important measures like net-worth, acreage, herd size, personnel, productivity, inventory changes, and family situation?
- What management issues have occurred over time?
- Do you have good crop insurance records?
- Do you have a will?
- Multiple entities must be taken into consideration when setting goals. How do different enterprises affect one another? It would be best to set goals of different entities so that they will complement and profit from each other.

OPERATION LAYOUT

Here you will need to refer to any aerial photographs or other sketches you may possess of your farming operation.

This image shows a single sheet of white paper with horizontal blue or grey ruling lines. The lines are evenly spaced and run across the width of the page. There is no handwriting or other markings on the paper.

MISSION STATEMENT

The mission statement is a 3 to 4 line statement that explains to the reader what the guiding principles of the business are. It is precise, emphatic, and should reflect your own philosophy. The mission statement is the overriding goal for you, the reason you are in the business. The specific goals come later.

Developing A Mission Statement

1) Begin with thinking strategically:

- About the farm's future makeup & your vision of the farm in 5-10 years

2) The task is to:

- inject a sense of purpose into the firm's activities
- provide long term direction
- give the farm strong identity
- decide WHO we are, WHAT we do, & WHERE are we headed

3) A farm's mission:

- reflects management's vision of what the farm seeks to do and become
- provides clear view of what the farm is trying to accomplish
- indicates the intent to stake out a particular business position

4) Specific questions that help form strategic vision

- what business are we in now?
- what business do we want to be in?
- what will customers want in future?
- what is expected of us?
- who will be our future competitors, suppliers, partners?
- what should our competitive scope be?
- how will technology impact our industry?
- what environmental scenarios are possible?

This image shows a single sheet of white paper with horizontal blue or grey ruling lines. The lines are evenly spaced and run across the width of the page. There is no handwriting or other markings on the paper.

GOALS

Goals can be seen as targets to accomplish the end. A well-posed problem is half solved. A goal tries to answer one of the five basic questions; what, why, when, where, and how. Knowing what you want is a goal. Means to achieving a goal is what the business plan is all about. All the business goals arise from the mission statement. Hence, the mission statement can be viewed as the overriding goal. The goals section can be subdivided into sections like:

- Overall Business Goal: More or less, the mission statement.
- Production Goals: Goals reflecting the production aspects of the business.
- Marketing Goals: Goals reflecting the marketing aspects of the business.
- Financial Goals: Goals reflecting the financial aspects of the business.
- Legal Goals: Goals reflecting all the ownership and legal aspects of the business.
- Personnel Goals: Goals reflecting the personnel issues faced in the business.

YOUR GOALS

Overall Business Goal

Production Goals

Marketing Goals

Financial Goals

Legal Goals

Personnel Goals

SHORT TERM GOALS

Though the phrase short-term is vague, limit yourself to a time frame of five years. Limit your goals to 10 or less. Framing the immediate or short-term goals involves addressing some issues like:

- Increasing production capacity.
- Improving financial condition (Can be specific ratios, but make credible goals).
- New marketing alternatives.
- New production activities.
- New hiring/training activities.
- Family issues like kids education, farm training, and retirement savings.
- Other legal issues like contracts, insurance, and environmental measures.

LONG TERM GOALS

These are the goals aimed at the future, beyond five years. Limit your goals to five or less. Issues to consider are:

- Intergeneration issues, like succession and transition planning.
- Changes reflecting farming philosophy.
- Education and farm training for your children.
- Retirement planning issues.
- The big picture of your operation in the long run.

This image shows a single sheet of white paper with horizontal blue or grey ruling lines. The lines are evenly spaced and run across the width of the page. There is no handwriting or other markings on the paper.

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and extend across the width of the page. There is no handwriting or other markings on the paper.

PRIORITIES

Some goals might be more important than others, so listing them in order is critical. Think of it in this way; given the chance that someone will fulfill 2 of your goals, which two would come first?

PURPOSE OF THE PLAN

This sub-section explains the real motive, purpose, and expected use of the business plan. This is the justification for preparing a business plan in the first place. It can include specific clientele's names or just be a generic one.

STRATEGIC OUTLOOK

Writing a strategic outlook statement may help position your operation to meet personal, family, and business goals. Include your thoughts on the current farm economy, as well as your feelings on the future of livestock production and agriculture as to how it might affect your business.

Your Priorities

First Priority

Second Priority

Purpose of the Plan

Strategic Outlook

SITUATION STATEMENTS

This subsection contains summaries of the current situation of various aspects of your business. Highlight all the important events and developments. The reader should be able to get a feel of the overall business situation after reading this subsection. You need not get into personal details that you are not comfortable with disclosing.

PRESENT BUSINESS SITUATION

In this section you should be able to provide the following information:

- What business are you in? (products, production levels)
- What are the present resources? (financial, personnel, equipment, and land)
- Key financial measures? (net-worth, debts, and other financial ratios)
- What are the sources, means, and methods of marketing?
- Any other important issues that highlight your current operation.

SITUATION STATEMENTS

Your Present Business Situation

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

LEGAL & CONTRACTUAL SITUATION

Here you will outline the current legal situation on your farm, including all the contracts and risk abatement measures you have taken to date. List all specific causes for concern. If you don't have adequate information on some of these issues, make note of the information requirements and seek further legal/professional assistance. If you already know the alternative measures available, analyze and pick the ones that suit your situation, along with a timeline for implementation.

Asset Contracts

- Contract agreements can be verbal or written. Understanding the fine print before entering into one is extremely essential. Such contracts can include promissory notes, mortgages, leases and crop share arrangements, federal farm programs, and marketing arrangements.

Estate Plan/Will

- Estate planning is all about how you want your property and assets to be distributed in case the unthinkable happens. It will give you peace of mind, knowing that your operation will continue through the next generation without disruption. Understanding the tax consequences of various options leaves more disposable income for your heirs.

Insurance

- Make note of the major points of your insurance plans. Make sure to include life, disability, health, and auto insurance. Also, tort liability results from negligent or intentional infliction of damage to a person or property. Having a general liability insurance policy can guard against this risk.

Retirement Plan

- Retirement planning is a step that should be taken as early as possible. The key to successful investing is investing slowly, but steadily, and using the principle of "pay yourself first". Things to consider are social security, Medicare, tax-deferred plans (like an IRA), and other personal savings.

Environmental Plan

- Environmental issues are gaining more prominence. Issues to consider are point and non-point pollution, dumping of waste, and waste handling facilities. Liability insurance may not protect a producer from criminal penalties charged by the compliance/regulatory agencies. This calls for an additional risk assessment and purchasing special pollution policies.

YOUR LEGAL & CONTRACTUAL SITUATION

Asset Contracts

Estate Plan/Will

Insurance

Retirement Plans

Environmental Plans

PRODUCTION SITUATION

This section details the overall production plan for the operation. The enterprise production trend for the past five years is included. The idea is to provide an overview of the production trends in each enterprise of the operation. Each enterprise is unique in having different sets of production particulars. These enterprise trend sheets provide information to the reader on how the operation has been performing for the past five years. Details like total production, average per acre, total acres, and price per unit are included in the enterprise trend sheet. Do not forget to mention all the enterprises that you have, or have had for the past five years. The case study examples consist of enterprises that might be different from your own operation. Production Trend Sheets for other enterprises are included at the end of the workbook. Attach them here as needed.

YOUR PRODUCTION SITUATION

Crop Enterprise Production Trends

Description of the System					
Production Year					
Total Production in ()					
Average Per Acre in ()					
Total Acres					
Average Price Per Unit					

Description of the System					
Production Year					
Total Production in ()					
Average Per Acre in ()					
Total Acres					
Average Price Per Unit					

Description of the System					
Production Year					
Total Production in ()					
Average Per Acre in ()					
Total Acres					
Average Price Per Unit					

Description of the System					
Production Year					
Total Production in ()					
Average Per Acre in ()					
Total Acres					
Average Price Per Unit					

PRODUCTION SUMMARY

For the production summary, all the relevant questions like future projections, diversification, crop insurance purchases, current production difficulties, input arrangements, production contracts, and alternative crops can be discussed. This section is pretty much open and is very specific for each operation.

This image shows a single sheet of white paper with horizontal blue or grey ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

FINANCIAL SITUATION

A set of well-maintained financial records is the first step in achieving financial control on the operation, apart from assisting in tax assessment. Essential financial statements include the balance sheet, income statement, and cash flow statement. Information in the financial records needs to be analyzed to complete the financial plan. One such analysis can be the financial ratios, which speak a lot about the financial health of the operation. As the size and complexity of the operation grow, so does the need for financial records. A well-defined financial plan is a very effective risk management tool also.

Using a computer program such as FINPACK could also be helpful. FINPACK can prepare monthly or multiple year cash flow plans, prepare balance sheets for you and your lender, and monitor your financial performance and historical trends.

BALANCE SHEET – TREND SHEET

A balance sheet is a statement that gives the financial condition of a business at any given time. Balance sheet-trend sheet is provided to give the picture of the business over the past five years, instead of just the previous year. Also, with this type of comparison over the past five years, growth or decline in assets, loans, and net worth of a business can be easily understood. The numbers from one year can be compared with other similar farms in the area to reflect the performance of the business. The numbers in the balance sheet also form the basis for financial ratios that are discussed later.

The balance sheet shows the equity of the owner in the business operation.

Assets–Loans = Net Worth (So, the balance sheet is also called a net worth statement)

All the assets and liabilities are categorized into current, intermediate, and long-term based on the liquidity of the item. However, proper care must be taken while pooling farm and family expenses.

BALANCE SHEET – TREND SHEET

Asset/Liability Item					
Date					
Current Farm Assets					
Cash and Checking					
Prepaid Expenses and Supplies					
Growing Crops					
Accounts Receivable					
Hedging Accounts					
Crops and Feed					
Market Livestock					
Other Current Assets					
Total Current Assets					
Intermediate Farm Assets					
Breeding Livestock					
Machinery and Equipment					
Other Intermediate Assets					
Total Intermediate Assets					
Long Term Assets					
Land and Improvements					
Other Long Term Assets					
Total Long Term Assets					
Total Farm Assets					
Total Non-Farm Assets					
Total Assets					
Current Farm Liabilities					
Accounts Payable					
Current Loans					
Federal Income Taxes Payable					
FICA Taxes Payable					
State Taxes Payable					
Property Taxes Payable					
Principle, Current Notes Payable					
Principle, Government Commodity Loans					
Current Portion Term Debt Principle					
Total Current Liabilities					
Intermediate Farm Liabilities					
Intermediate Loans					
Non-Current Portion of Intermediate Term Debt Principle					
Total Intermediate Liabilities					
Long Term Farm Liabilities					
Liabilities On Real Estate					
Non-Current Portion Of Long Term Debt Principal					
Total Long Term Liabilities					
Total Farm Liabilities					
Total Non-Farm Liabilities					
Total Deferred Tax Liabilities					
Total Liabilities					
Total Equity					
Change in Equity					

INCOME & EXPENSES TREND SHEET

An Income and Expense Trend Sheet provides a valuable tool for itemizing the income and expenses from various enterprises. The trend sheet also serves as a comparison measure, over the past five years and with other similar forms. Look for a transition or consistency in the numbers for important items. If the trend for a particular expense item is disturbing, explore further in the enterprise analysis to understand the inconsistency. This provides valuable insights in keeping a tab on the expense items. Here also, we need to keep the farm-related incomes and expenses separate from the family items. To facilitate this, the case example deals with the farm items first and then proceeds with the family items.

The Income Expenses Trend Sheet is modeled after the IRS Tax form 1040 and Schedule-F and hence will serve as a valuable Tax Planning guide. Since business adjustments have tax implications, any such changes should be planned carefully, considering the Tax issues. (Refer to the tax guide or seek for professional help if needed).

Income and Expenses Trend Sheet

Line numbers on this page correspond to line numbers on Schedule F, Form 1040

Tax Year from Schedule F						
PART I Farm Income		(Identify items and or make changes if necessary)				
1	Livestock					
2						
3	Grains					
4						
5						
6	Ag. Program Payments					
7						
8						
9	Custom Hire					
10	Other Income					
11	Gross Income					
PART II Farm Expenses		(Do not include personal or living expenses in the categories listed below)				
12	Car & Truck Expenses					
13	Chemicals					
14	Conservation Expenses					
15	Custom Hire					
16	Depreciation & Section 179					
17	Employee Benefits Programs					
18	Feed Purchased					
19	Fertilizers & Lime					
20	Freight & Trucking					
22	Insurance (other than health)					
23	Interest:					
	a: Mortgage Interest					
	b: Other Interest					
24	Labor Hired					
25	Pension & Profit Sharing					
26	a: Vehicle, Machine rent/lease					
	b: Land, Animal, Etc. rent/lease					
27	Repairs & Maintenance					
28	Seeds & Plants Purchased					
29	Storage & Warehousing					
30	Supplies Purchased					
31	Taxes					
32	Utilities					
33	Veterinary, Breeding & Medicines					
34	Other Expenses					
	a:					
	b:					
	c:					
	d:					
	e:					
	f:					
35	Total Expenses					
36	Net Farm Profit (Loss)					

INCOME & EXPENSES TREND SHEET

The main goal of effective Tax -Management is to legally minimize the incidence of Tax burden by avoiding huge fluctuations in income year after year. Consider some of the following tips. Refer to the source, for detailed information on the tips.

Source: Federal Income Tax Management for Farmers and Ranchers, by Gayle S. Willett, Larry K. Bond, and Norman Dalsted - A Western Regional publication of the Western Farm Management Extension Committee, 1995.

Tips!

- **Shift the tax-deductible expenses to a year with higher income.**
- **Accelerate operating expenses by pre-purchasing inputs to a year with higher income.**
- **Delay commodity Sales if it can decrease your tax burden.**
- **Accelerate depreciation on assets purchased in current year.**
- **Expense rather than capitalize in a year of high income.**
- **Accelerate itemized personal deductions in a high tax year.**

INCOME & EXPENSES TREND SHEET

Tax Year from Schedule F						
Income		(Selected items from Form 1040, make changes if necessary)				
7	Off-Farm Income (W-2's, etc.)					
8						
9	Interest Income					
10						
11						
12						
13	Schedule-D					
14	Form 4797					
18	Schedule F (from previous page)					
22	Total Income					
Gross Income Adjustments						
23						
24						
25						
29						
31	Adjusted Gross Income (AGI)					
Taxes, Credits & Summary		(Selected Items from page 2 of Form 1040)				
34						
35						
36						
37	Taxable Income					
38	Tax					
43	Credits					
45	Self-employment Tax (Form SE)					
46	Other Taxes					
51	Total IRS Tax					
17	Total State Income Tax					
		(line number from Nebraska Department of Revenue, Form 1040N)				
Family Living Expenses						

FAMILY LIVING EXPENSES-TREND

In this section record your itemized family living expenses. Keeping a tab on the family living expenses is also an important exercise in controlling expenses that affects the business bottom line. Controlling expenses is especially important when the business is young and still growing. The trend-sheet provides guidance to focus on the expense items that can be gotten away with, enhancing the cash flow situation.

FAMILY LIVING EXPENSES TREND SHEET

Family Living Expenses-Year					
Number of Family Members					
Food and Meals					
Medical Care and Health Insurance					
Household Supplies					
Clothing					
Child Care					
Gifts					
Education					
Recreation					
Utilities (Household)					
Non-Farm Vehicle Operating Expenses					
Household Real Estate Taxes					
Household Repairs					
Life Insurance					
Non-farm FICA Taxes					
Non-farm State Income Tax					
Total Living Expenses					

MAJOR PURCHASES & CASH-FLOW TREND SHEETS

Major Purchases – Ammortized Loans

This section used to list the major purchases done on the farming business and details on how the payment was made. This information is very helpful for good cash-flow planning. Describe the asset purchased, date and amount in the first column. Describe the asset purchased, date and amount in the first column.

Cash-flow Trend

This section draws information from the financial statements like Balance sheet, income statement, and family expense sheet. A Cash-flow budget is the projection of all the business transactions that require (demand) money and the sources (supply) of money during the accounting period or year. A cash-flow trend sheet is a recoording of the cash-flow budgets for the years in the trend. Having a trend not only helps the manager to understand how the needs were met in the past but also to make realistic projections for the current accounting year.

$$\text{Net After-tax Farm Cashflow} = \text{Gross Farm Income} - (\text{Total Pre-Tax Production Expenses} - \text{Total Tax Liability on Farm})$$

$$\text{Net After-tax Bookkeeping Income} = \text{Bookkeeping business income} - \text{Bookkeeping business expenses}$$

$$\text{Cash Flow before Down-payments and Cash Purchases} = \text{Net After Tax Farm Cashflow} + (\text{Net After Tax Bookkeeping Income} + \text{Gross Off Farm Income}) - (\text{Total Family Living Expenses} + \text{Land Payments} + \text{Equipment Payments})$$

MAJOR PURCHASES & CASH-FLOW TREND SHEETS

Major Purchases-Ammortized Loans	\$ Trade in	Cash Down	Financed	Annual Interest	Annual Payment

Cash Flow-Year					
Net After-tax Farm Cashflow					
Net After-tax Bookkeeping Income					
Gross Off Farm Income					
Total Family Living Expenses (Including Taxes)					
Land Payment					
Equipment Payments					
Cash Flow before Down-payments and Cash Purchases					
Cash Used for Down Payments					
Carryover (or Paydown) Operating Loan					
Year-End Checking Balance \$200 min. Balance each Jan.					
Year-End Operating Note Principle Balance					
Value of Unpaid Family Labor (equal to family living expenses)					

LIQUIDITY & SOLVENCY MEASURES

Financial measures means the various financial performance ratios that can pinpoint the strengths and weaknesses of the operation as a whole. This will help the operator manage the business strategy accordingly.

Liquidity measures include the current ratio and working capital that gauge the ability to meet current obligations. Solvency measures include debt/asset ratio, equity/asset ratio, and debt/equity ratio. The solvency measures are aimed at revealing the operations risk exposure.

SUGGESTED FINANCIAL RATIO BENCHMARKS¹

Financial Measures	Guideline		
	Green	Yellow	Red
Current Ratio	>1.5	1.0-1.5	<1.0
	Positive		
Debt to Asset Ratio	<.30	.30-.60	>.70
Equity to Asset	>.70	.40-.70	<.40
Debt to Equity Ratio	<.50	.5-1.50	>1.5
Operating Profit Margin	>.40	.20-.40	<.20
Operating Expense Margin	<.75	.75-.85	>.85
Net Farm Income Ratio	>.25	.15-.25	<.15
Rate of Return on Farm Assets	>.07	.05-.07	<.05

Source: Nebraska Farm Business Association

¹ Green = Sound financial position; Yellow = Caution; Red = Immediate action is needed

LIQUIDITY & SOLVENCY MEASURES

Liquidity Measures

Current Ratio	Total Current Assets	/	Total Current Liabilities
	_____	/	_____
Working Capital	Total Current Assets	-	Total Current Liabilities
	_____	-	_____

Solvency Measures

Debt to Asset Ratio	Total Liabilities	/	Total Assets
	_____	/	_____
Equity to Asset Ratio	Total Equity	/	Total Assets
	_____	/	_____
Debt to Equity Ratio	Total Liabilities	/	Total Equity
	_____	/	_____

Profitability Measures

Operating Profit Margin	Return to Farm Assets	/	Value of Farm Production
	_____	/	_____
Operating Expense Ratio	Total Farm Operating Expense - Farm Interest Expense	/	Gross Farm Income
	_____	/	_____
Net Farm Income Ratio	Net Farm Income / Gross Farm Income		
	_____	/	_____
Rate of Return on Farm Assets	Net Farm Income + Farm Interest - Value of Unpaid Operator and Family Labor	/	Average Total Farm Assets
	_____	/	_____

FINANCIAL SUMMARY

The financial summary aims at identifying specific financial problems and addressing them through appropriate corrections. This will form a basis for a projected financial plan. Issues like future investments, future cash flow requirements, and performance enhancing measures need to be thoroughly discussed in this section.

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There is no handwriting or other markings on the paper.

MARKETING SITUATION

For your marketing situation, you will identify your current marketing strategies, as well as a brief overview of current products sold. What is your current pricing strategy?

MARKETING PLAN

There are two key components to marketing the products produced in crop and livestock operations. One, what does it cost to produce the product? Second, what do you receive for the product?

Recently, producers have had a variety of ways to deal with cycles and prices. One example is the consolidation of delivery points, from the direct exchange between producers to an elevator in the local community. These operations were then able to offer certain contract arrangements for future delivery of commodities. Also the creation of futures markets, offering forward contracts and options for both grains and livestock, added ways that producers could begin to deal with the second component of marketing issue, price.

Today, a variety of crop and livestock marketing tools are available. But marketing is rapidly changing as the products being produced are changing. Both grains and livestock are being produced that have specific attributes. We can no longer afford to ignore the consumer's choices or preferences. These specific attributes may increase the value of the product, but only when the identity of the product and its attributes are successfully preserved and marketed to the appropriate consumer. Hence, 'Identity Preservation' and 'Value Addition' become the words of the day.

MARKETING SITUATION

YOUR MARKETING PLAN

Pre-harvest Decision Period

January – March _____

-Forward contracting _____

-Hedging Or Options _____

April – June _____

July – August _____

Post Harvest Decision Period

November – January _____

-Analysis of storage vs. expected prices _____

February – April _____

MARKETING PLAN

A continuous look out for these new marketing alternatives might change the production plan itself, that is what we produce.

The marketing plan need not be concrete and fixed. But creating one will surely give you some peace of mind. It should contain a detailed plan on how much of each product is marketed through which channel, and what advertising strategy. Also, a justification to how the marketing plan will meet the projected cash flow needs is essential.

YOUR MARKETING PLAN

Decision Period

January – March _____

-Forward contracting _____

-Hedging Or Options _____

April – June _____

July – August _____

Decision Period

November – January _____

-Analysis of storage vs. expected prices _____

February – April _____

Decision Period

January – March _____

-Forward contracting _____

-Hedging Or Options _____

April – June _____

July – August _____

Decision Period

November – January _____

-Analysis of storage vs. expected prices _____

February – April _____

PERSONNEL PLAN

Also called the Human Resources Plan, the Personnel Plan is all about managing the people who work on the farm or off the farm assisting the operation. Most farm operations have an informal management system when it comes to managing the family members on the farm. Often times we tend not to give explicit roles and duties for family members. A personnel plan should include the family members and their roles, as well as, though apart from, the hired labor on the farm.

The plan should focus on the roles, duties & responsibilities, compensation, and other benefits explicitly allowing for transparency in the operation. Creating a sense of ownership and responsibility is extremely important in managing farm labor. Some questions to ask yourself are:

- Does everyone involved in the business understand their role and the decision making structure of the operation?
- Does the plan allow for bringing out the potential of its members?
- Have you identified labor and training goals for all personnel?
- Are there regularly scheduled meetings to review the current plan and assess performance?
- Is there an arrangement to solve conflicts in personal goals that thwart the common goals?

CURRENT PERSONNEL SITUATION

This section lists all personnel involved in the operation, including the consultants and business advisors, along with their specific roles. A note on their specific skills and contributions are also mentioned.

YOUR CURRENT PERSONNEL SITUATION

Name: _____

Address: _____ State: _____ Zip Code: _____

Title & Position: _____

Time Commitment: _____

Skills & Contributions: _____

Name: _____

Address: _____ State: _____ Zip Code: _____

Title & Position: _____

Time Commitment: _____

Skills & Contributions: _____

Name: _____

Address: _____ State: _____ Zip Code: _____

Title & Position: _____

Time Commitment: _____

Skills & Contributions: _____

Name: _____

Address: _____ State: _____ Zip Code: _____

Title & Position: _____

Time Commitment: _____

Skills & Contributions: _____

JOB DESCRIPTION, SALARY, & BENEFITS

Having a clear job description and delegation of duties is necessary to avoid any misunderstandings and to increase productivity of the labor on the farm. In this section you will detail the specific job duties and responsibilities of all personnel.

Without an appropriate incentive structure, we cannot motivate the labor on the farm. Here you will also detail salary and benefits information. Fringe benefits include insurance, leave, retirement contributions, housing, bonuses, and other miscellaneous allowances. Developing a formal incentive (in dollar terms) for your employees will certainly help them get more motivated.

JOB DESCRIPTION, SALARY, & BENEFITS

Employee Name	Job Description	Salary	Benefits

LABOR & TRAINING GOALS

In this area, analyze your labor and training goals for the operation. In what areas can all personnel improve? What are the barriers to achieving these goals and solutions on how to overcome these barriers? Be sure to include a type of measurement to verify that the goal has been reached.

YOUR LABOR & TRAINING GOALS

Goals	Barrier	Planned Description	Measurement

PERSONNEL SUMMARY

In your Personnel Summary you will discuss the personnel requirements of the operation and explain how they are currently being met. If you have any expansion plans in the near future also include the additional personnel requirements and discuss how they will be attained.

This image shows a single sheet of white paper with horizontal blue or grey ruling lines. The lines are evenly spaced and run across the width of the page. There is no handwriting or other markings on the paper.

DEVELOPING A RISK MANAGEMENT PLAN

This worksheet shows a four-step analysis of risks that may impact your operation. Step 1 is identify the risks that are most critical to you. Step 2 is make a judgment of the magnitude of the impact. Step 3 is assess the likelihood the risk may occur and step 4 is to list actions you can take. These potential actions provide the information for you to select the risk management strategies you will follow.

The Risk	Magnitude	Likelihood	Action
Loss of Rented Land	Big	Small	Be a good Farmer Proactive communicator with landlord Reports during growing season Professional Tenant (Resume)
Low Crop Yields	Medium	Medium	Hail Insurance Multi Peril Crop Insurance Diversification
Loss of Government Payments	Medium	Medium	Marketing classes Know product costs
Business Continuation Bring young Person on Board	Big	Medium	Financial projection Transfer of mgt. responsibilities Communication Plan living arrangements Both generations participate in joint financial planning workshops

RISK MANAGEMENT PLAN

The Risk	Magnitude	Likelihood	Action

ENTERPRISE PRODUCTION TRENDS

Description of the Crop System					
Production Year					
Total Production bu					
Average/Acre bu					
Total Acres					
Average Price/Unit \$					

ENTERPRISE PRODUCTION TRENDS

Description of the System	HOGS				
Production Year					
Total Feeder Pigs Purchased					
Average Price/Head					
Average Death Loss %					
Average Market Weight					
Head Sold at Market					
Average Market Value (CWT.)					

ENTERPRISE PRODUCTION TRENDS

Description of the System	COW/CALF OPERATION				
Production Year					
Number of Females in Herd					
Average Conception Rate %					
Number of Females Calved					
Average Birthweight					
Number of Calves Weened					
Average Weening Weight					

ENTERPRISE PRODUCTION TRENDS

Description of the System	DAIRY OPERATION				
Production Year					
Sales Quantity cwt.					
Average Herd Size					
Milk/Cow/Year lbs.					
Bulk Tank Average/Cow/Day					

ENTERPRISE PRODUCTION TRENDS

Description of the System	CATTLE				
Production Year					
Number of Females in Herd					
Number of Calves Sold					
Average Sales Weight					
Average Market Value cwt.					